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ABSTRACT

A revised methodology for calculating faculty salary and fringe benefit cost comparisons for California public higher education for 1985-1986 to 1994-1995 is discussed. The history of the California Postsecondary Education Commission's salary reports and the work of its Technical Advisory Committee is also traced. The following aspects of the revised methodology are described: number and timing of reports; principle of parity; comparison institutions; faculty to be included and excluded; computation of comparison institution average salaries and fringe benefit costs; 5-year compound rate of salary and fringe benefit cost growth; all-ranks average salaries and fringe benefit costs; administrative, medical, and community college salaries; supplementary information; and criteria for selection of comparison institutions. Attention is also directed to the ways that each of these aspects are similar/different for the 1977 methodology and the revised methodology. Also considered are the following unresolved issues: University of California comparison institutions, the 5-year compound rate of change, adjustments for turnover and promotions and for law faculty, administrative salaries, fringe benefits, and supplementary information. (SW)

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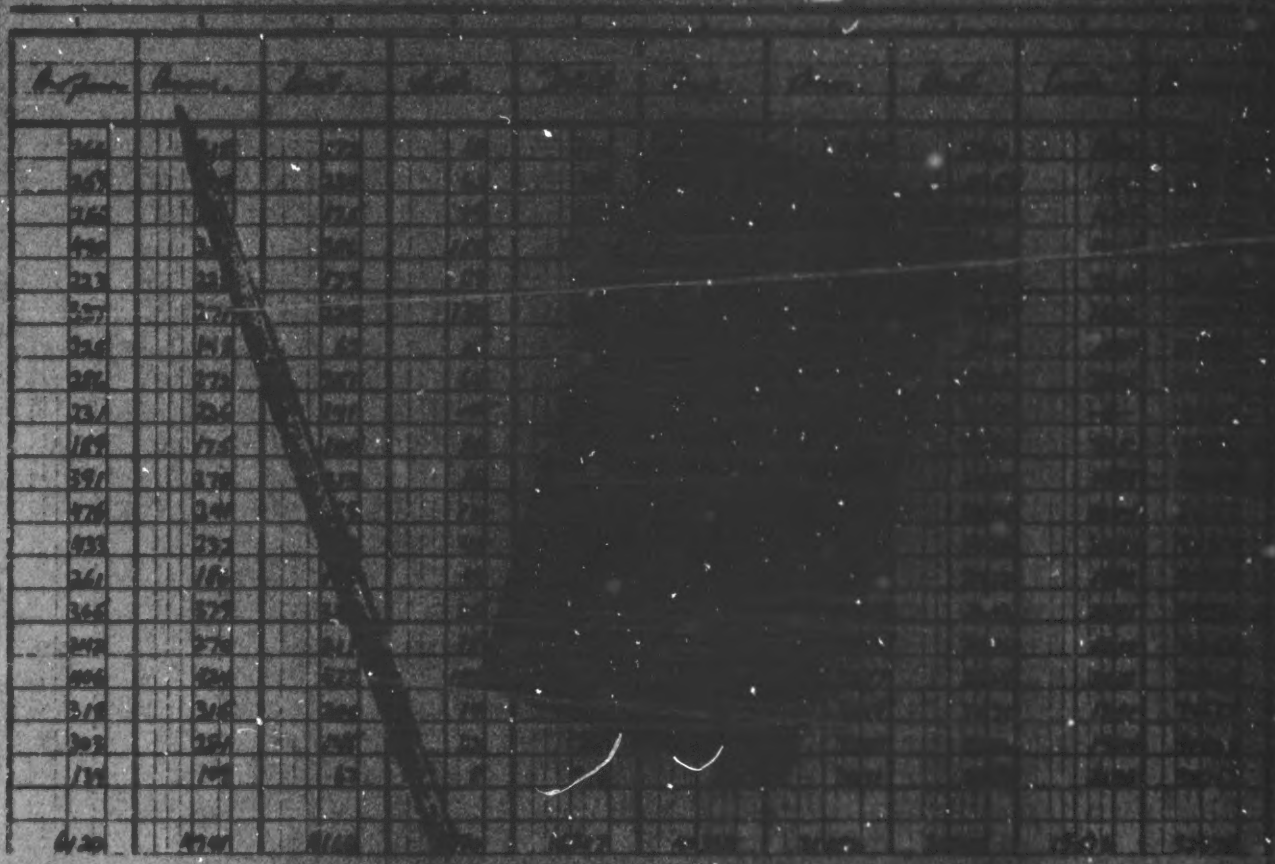
METHODS FOR CALCULATING SALARY AND FRINGE BENEFIT COST COMPARISONS

1986-86 TO 1994-95



CALIFORNIA POSTSECONDARY
EDUCATION COMMISSION

The California Postsecondary Education Commission was created by the Legislature and the Governor in 1974 as the successor to the California Coordinating Council for Higher Education in order to coordinate and plan for education in California beyond high school. As a state agency, the Commission is responsible for assuring that the State's resources for postsecondary education are utilized effectively and efficiently; for promoting diversity, innovation, and responsiveness to the needs of students and society; and for advising the Legislature and the Governor on statewide educational policy and funding.

The Commission consists of 15 members. Nine represent the general public, with three each appointed by the Speaker of the Assembly, the Senate Rules Committee, and the Governor. The other six represent the major educational systems of the State.

The Commission holds regular public meetings throughout the year at which it takes action on staff studies and adopts positions on legislative proposals affecting postsecondary education. Further information about the Commission, its meetings, its staff, and its other publications may be obtained from the Commission offices at 1020 Twelfth Street, Sacramento, California 95814; telephone (916) 445-7933.

METHODS FOR CALCULATING SALARY AND FRINGE BENEFIT COST COMPARISONS 1985-86 TO 1994-95

A Revision of the Commission's 1977 Methodology for Preparing Its Annual Reports on Faculty and Administrative Salaries and Fringe Benefit Costs

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION
1020 Twelfth Street, Sacramento, California 95814

Commission Report 85-11

Adopted March 4, 1985

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INTRODUCTION

For the past 20 years, the Coordinating Council for Higher Education and subsequently the California Postsecondary Education Commission have submitted annual reports to the Governor and the Legislature concerning faculty salaries and fringe benefit costs at the University of California and the California State University. Since 1977, the Commission has used the methodology described in Appendix A as the basis for these reports.

Questions about that methodology arose, however, from the very year of its implementation and have grown over the years since then. As a result, the Commission asked the University, the State University, the Legislative Analyst, and the State Department of Finance to appoint representatives to a Technical Advisory Committee to review those procedures and agree on changes in them. These representatives were:

State Department of Finance

Robert L. Harris, Program Budget Manager
Carl Rogers, Principal Program Budget Analyst
Stanley L. Lena, Principal Program Budget Analyst
Judy Day, Staff Services Manager

Office of the Legislative Analyst

Harold E. Geiogue, Principal Program Analyst
Stuart Marshall, Program Analyst
Sue Burr, Program Analyst

University of California

Leon Mayhew, Acting Assistant Vice President
Clive Condren, Director of Educational Relations
Jo Ann Rolley, Principal Administrative Analyst

The California State University

Caesar Naples, Vice Chancellor, Faculty and Staff Relations
John M. Smart, Deputy Provost
William Lahey, Assistant Vice Chancellor, Faculty and Staff Relations
Thierry Koenig, Personnel Analyst, Faculty and Staff Relations

This document results from their assistance and cooperation, and the Commission wishes to thank them for their efforts on its behalf.

Chapter One of the document traces the history of the Commission's salary reports and describes the work of the Technical Advisory Committee.

Chapter Two then outlines the new methods, which the Committee has agreed to follow through 1994-95.

Chapter Three discusses how these new methods relate to and differ from those adopted in 1977.

And Chapter Four identifies six unresolved issues to be considered by the Committee at a later date. Once these issues are resolved, the Commission will publish a second edition of this report, summarizing all the methods that it will use in its salary reports over the next decade.

ONE

ORIGINS OF THE REVISED METHODS

The impetus for the annual reports of the California Postsecondary Education Commission on faculty salaries and the costs of fringe benefits stemmed from House Resolution 250 (1964 First Extraordinary Session), which requested the Legislative Analyst:

> to study the subject of salaries and the general economic welfare, including fringe benefits, of faculty members of the California institutions of higher education, and ways and means of improving such salaries and benefits in order that such California institutions of higher education may be able to compete for the talent necessary to provide the highest quality of education....

Pursuant to that resolution, the Analyst recommended that the process of reporting faculty compensation data be formalized, and in Senate Concurrent Resolution 51 (1965 General Session), the Legislature required the Coordinating Council on Higher Education -- the predecessor of the Commission -- to "submit annually to the Governor and the Legislature not later than December 1 a faculty salary and welfare benefits report" that contained the basic information recommended in the Legislative Analyst's report. (These resolutions and the Legislative Analyst's report are reproduced in Appendix B.)

CHANGES IN METHODOLOGY AND COMPARISON INSTITUTIONS THROUGH 1977

As of the 1966-67 budget cycle, the University of California used five institutions -- Columbia, Harvard, Princeton, the University of Michigan, and Yale -- to compare itself against for salary purposes and these five were used again for 1966-67. Although the then California State Colleges had no list formally recognized by the Coordinating Council, the State Personnel Board and they had used a number of institutions since at least 1955 to establish salary parity. For the same year, a formal list of institutions for the State Colleges was established for the first time, and it included ten campuses:

- Bowling Green State University
- Brooklyn College
- Carleton College
- Colorado State University
- Occidental College
- Pomona College
- Purdue University
- Rutgers State University
- Southern Illinois University
- Wesleyan University

Over the next several years, many objections to these lists were expressed, and those objections resulted in frequent changes, as Appendix C indicates. In 1967-68, the University's list was expanded to include Cornell, the

University of Illinois, and the University of Wisconsin-Madison; and the next year, Princeton and Columbia were dropped in favor of Stanford and the State University of New York at Buffalo. That list was maintained for two years and then changed again for 1970-71 and 1971-72 to add all of the universities in the "Big Ten" as well as a few others. In 1972-73, it was changed back to the 1968-69 list, and has remained unchanged since.

The State University list has undergone far more frequent changes, principally because of the difficulty of finding any group of institutions which matched the mission and function of that segment. Nevertheless, while the list was changed almost annually between 1966-67 and 1973-74, the final change has remained in effect up to the present and contains the following list of 20:

Bowling Green State University
Illinois State University
Indiana State University
Iowa State University
Miami University (Ohio)
Northern Illinois University
Portland State University
Southern Illinois University
State University of New York at Albany
State University of New York College at Buffalo
Syracuse University
University of Colorado at Boulder
University of Hawaii
University of Nevada-Reno
University of Oregon
University of Southern California
University of Wisconsin-Milwaukee
Virginia Polytechnic Institute and State University
Wayne State University
Western Michigan University

For all the years between 1965 and 1977, there was a considerable amount of experimentation with both the methodology used to compute salary parity percentages and the criteria for the selection of comparison institutions. Some changes dealt with the method of treating fringe benefits, others with adjustments designed to account for rapid changes in the rate of inflation, still others with the concept of "Total Compensation."

REACTION TO THE 1977 REVISION

On June 13, 1977, the Commission adopted the methodology reproduced in Appendix A which has remained in force for the past eight years. The 1977 document, however, did not end the debate over the contents of the salary report, since a complete consensus was not achieved among all interested parties (the University, the State University, the Department of Finance, the Legislative Analyst, and the Commission). No sooner had the 1977 document been adopted than the State University announced that it would no longer recognize the comparison approach in its annual salary requests to the Governor and the Legislature, but would adopt an analytical procedure based on changes in the cost of living and the previous erosion in faculty "real income." In 1981, the University of California followed the same approach, at least in part, by including real income losses as a major consideration in its request for a cost-of-living adjustment. Both segments continued to submit comparison data to the Commission throughout this period (the State University, however, no longer supplied the supplementary data required by the methodology), but it was clear that they regarded the comparisons as

having little effective weight in their own efforts to increase faculty salaries. While the Commission included data on economic conditions during this period, it continued to emphasize the comparison institution approach to salary setting.

The salary reports have also been expanded since 1977 to include sections on medical faculty salaries (since 1978), administrative salaries (since 1981), and Community College faculty salaries (since 1979), all because of recommendations by the Legislative Analyst. None of these additions was reflected in the 1977 methodology.

Throughout the late 1970s and early 1980s, the State University's dissatisfaction with their list of comparison institutions increased, and this led to a formal request by that segment to reopen deliberations on the methodology itself, particularly as it related to the comparison group. Accordingly, the Commission agreed to reconvene the Technical Advisory Committee mentioned in the Introduction. The first meeting of this Committee was held at the Commission's offices on September 13, 1984. Subsequent meetings were held on November 9, 1984, and January 7 and January 25, 1985. In addition to the members listed in the introduction, this Committee included representatives of the Commission staff; William D. Whiteneck, Consultant to the Senate Education Committee; and Dan Wall, Consultant to the Senate Finance Committee. Several other interested parties also attended some of the meetings, including Bill Crist, President of the California Faculty Association; Dennis Flatt of Winner, Wagner, and Associates (representing the University of California faculty); and Pat Hill Hubbard of the American Electronic Association.

The Committee's deliberations began with the State University's concern over its group of comparison institutions, approximately half of which were located in a uniquely depressed region of the country -- the upper midwest -- where faculty salaries had been held below national levels. As work proceeded, several alternative lists of institutions were examined until agreement was reached on the list of 20 presented in this report. That agreement depended on data from the American Association of University Professors, the American Council on Education, the National Center for Education Statistics, and the National Association of State Universities and Land Grant Colleges, as well as the cooperation of the institutions proposed to be included on the list.

The Advisory Committee, however, did not consider only the State University's concerns. The University of California suggested new data collection procedures that would enable a single annual report to be published instead of the two presently compiled and transmitted each year. The University argued that there was no real need for an annual medical faculty salary report, and the Committee agreed to a biennial submission instead. Finally, the University raised a concern with its own list of comparison institutions, and that issue will be discussed at future meetings of the Committee in 1985.

The Legislative Analyst raised questions about the University's practice of granting equal weight to each of its comparators and the use of the State University's staffing pattern to determine all-ranks averages. The Analyst also raised important questions about the continued use of the five-year compound rate of change in comparison institution salaries, and that issue will also be considered later this year.

The Department of Finance expressed its reservations over the existing methodology of the September meeting, and its concern for the State University's continuing dilemma over its comparison group led to the creation of a more representative list.

The major issues resolved by the Technical Advisory Committee thus included (1) the number and timing of the Commission's salary reports; (2) the criteria for the selection of California State University comparison institutions; (3) the list of California State University comparison institutions; and (4) the appropriate use of staffing patterns in computing all-ranks averages for the California State University.

Several other issues, however, have not yet been resolved to the satisfaction of all the principals who participated in the deliberations of the Committee, including the list of University of California comparison institutions, and the use of a five-year moving average to project rank-by-rank averages into the budget year. These issues have been postponed for further discussion over the next six to ten months, as Chapter Four below notes. Because faculty salaries involve hundreds of millions of dollars in annual State expenditures, and because the quality of any academic institution is usually a function of the quality of its faculty, it is not surprising that the principals have strong opinions on these subjects. Nonetheless, the Commission believes that, based on the cooperation demonstrated thus far by the members of the Committee, these issues will be resolved to the satisfaction of all the principals and permit the same long-term implementation as the methods agreed on thus far and outlined in the next chapter.

TWO

THE REVISED METHODOLOGY

The following procedures will be employed by the California Postsecondary Education Commission to develop its annual report on faculty salaries and fringe benefit costs in California public higher education for the ten-year period of 1985-86 to 1994-95, unless noted otherwise.

1. NUMBER AND TIMING OF REPORTS

One report will be prepared by the Commission each year. That report will contain current-year data from both the University of California's and the California State University's comparison institutions, such data to be submitted by the segments to the Commission, the Department of Finance, and the Legislative Analyst not later than November 15 each year. The Commission's report will be submitted to the Department of Finance and the Joint Legislative Budget Committee not later than January 1.

2. PRINCIPLE OF PARITY

The report will indicate needed percentage increases (or decreases) for the forthcoming fiscal year in salaries and fringe benefit costs for University of California and California State University faculty to achieve and maintain parity with comparison institution faculty at the ranks of professor, associate professor, assistant professor, and (at the State University only) instructor. Parity is defined as the mean of all salaries paid by the comparison institutions as a whole at each rank. A separate list of comparison institutions will be used by each of the four-year California segments of higher education. The report will separate calculations and displays of data related to percentage increases required for salary parity from those related to fringe benefit cost parity.

3. COMPARISON INSTITUTIONS

University of California

Comparison institutions for the University of California with independent institutions asterisked, will be the following:

Cornell University*
Harvard University*
Stanford University*
State University of New York at Buffalo
University of Illinois Urbana Campus
University of Michigan - Ann Arbor
University of Wisconsin - Madison
Yale University*

The University's list of comparison institutions remains an open item before the Technical Advisory Committee during 1985 and may be recommended for change for 1986-87 and subsequent budget years.

California State University

Comparison institutions for the California State University, with independent institutions asterisked, will be the following for the years 1985-86 through 1994-95:

Northeast
University of Bridgeport*
Boston University*
Rutgers the State University of New Jersey (Newark Campus)
State University of New York at Albany
Bucknell University*

North Central
DePaul University*
Wayne State University
Mankato State University
Cleveland State University
University of Wisconsin-Milwaukee

South
University of Miami (Florida)*
Georgia State University
North Carolina State University
Virginia Polytechnic Institute and State University

West
Arizona State University
University of Southern California*
University of Colorado at Denver
Lewis and Clark College*
University of Nevada-Reno
University of Texas at Arlington

4. FACULTY TO BE INCLUDED AND EXCLUDED

University of California

Faculty to be included in the comparisons are those at the ranks of professor, associate professor, and assistant professor (the University does not use the rank of instructor) employed on nine- and eleven-month (prorated) appointments, with the exception of faculty in law, the health sciences, summer sessions, extension programs, and laboratory schools, to the extent that these faculty are covered by salary scales or schedules other than those of the regular faculty. Faculty on the special salary schedules for engineering, computer science, and business administration will be included with the regular faculty.

Faculty members to be included are those assigned to instruction (regardless of their assignments for research and other University purposes), department

chairmen (if not on an administrative salary schedule), and faculty on salaried sabbatical leave.

The number of University faculty will be reported on a full-time-equivalent basis.

California State University

Faculty to be included in the comparisons are those with full-time appointments at the ranks of professor, associate professor, assistant professor, and instructor, employed on nine- and eleven-month (prorated) appointments, department chairmen, and faculty on salaried sabbatical or special leave. Faculty teaching seminar sessions or extension will be excluded.

Funds appropriated for "outstanding professor awards" will be included in the State University's average salaries.

The number of State University and comparison institution faculty will be reported on a headcount basis.

5. COMPUTATION OF COMPARISON INSTITUTION AVERAGE SALARIES AND FRINGE BENEFIT COSTS

As indicated below, the University and the State University use different methods to compute average salaries in their respective groups of comparison institutions. The Commission will provide a detailed explanation for these differences in its annual report.

University of California

For the University's comparison group, the average salary at each rank will be obtained for each comparison institution. The average salary at each rank for the comparison group as a whole will then be calculated by adding the average salaries at the eight comparison institutions and dividing by eight. The same procedure will be used to compute the cost of fringe benefits. (The use of equal weights for University of California comparison institutions is an unresolved issue to be discussed by the Technical Advisory Committee during 1985.)

California State University

For the State University's comparison group, the total actual salary dollars paid at each rank for the group as a whole will be divided by the number of faculty within the rank at all 20 institutions to derive the average salary for each rank. Average costs of fringe benefits will be computed in the same manner.

6. FIVE-YEAR COMPOUND RATE OF SALARY AND FRINGE BENEFIT COST GROWTH

In order to compute the estimated salaries and benefit costs to be paid by the comparison institutions in the budget year, a five-year compound rate of change in salaries and the cost of fringe benefits will be computed using actual salary and benefit data for the current year and the fifth preceding year.

Each segment will compute the average salary and fringe benefit cost to the employer by rank for their respective comparison groups as specified in Section 5 above. Each will then calculate the annual compound rate of growth at each rank between the current year and the year five years previous to the current year. These rates of change will then be used to project average salaries and costs of fringe benefits for that rank forward one year to the budget year.

(The use of a five-year compound average is one of the unresolved issues to be discussed by the Technical Advisory Committee during 1985. The Legislative Analyst has suggested that a shorter period of between two and four years be used or that the more recent years be accorded a greater weight than the earlier years. Consequently, the five-year compounded average will apply only to the 1985-86 budget cycle.)

7. ALL-RANKS AVERAGE SALARIES AND FRINGE BENEFIT COSTS

All-ranks average salaries and fringe benefit costs will be calculated for each segment and for each respective comparison group in both the current and budget years, by using the following procedures.

University of California

For the University, both its and the comparison institutions' rank averages will be weighted by the University's projected staffing pattern for the budget year. The all-ranks averages produced thereby will be compared and percentage differentials computed for both the current and budget years. The percentage differential between the University's current year all-ranks average and the comparison group's projected budget year all-ranks average will constitute the percentage amount by which University salaries will have to be increased (or decreased) to achieve parity with the comparison group in the budget year. The same procedures will be followed with respect to the cost of fringe benefits.

California State University

For the State University, both its and the comparison group's current year staffing patterns will be employed. The rank-by-rank averages will be

separately weighted by the respective staffing patterns for both the current and budget years so that two sets of all-ranks averages will be derived. The two all-ranks averages for the State University in the current year (the first weighted by the State University staffing pattern and the second by the comparison group's staffing pattern) will be added together and divided by two to produce the mean. Similarly, the current- and budget-year averages for the comparison institutions will be added and divided by two to produce mean all-ranks averages for both the current and budget years. The mean State University current-year all-ranks average will then be compared to the mean current- and budget-year comparison-institution all-ranks averages to produce both a current- and budget-year parity percentage. The percentage differential between the State University's current-year all-ranks average and the comparison group's projected budget-year all-ranks average will constitute the "Gross Percentage Amount" by which State University salaries will need to be increased or decreased to achieve parity with the comparison group in the budget year.

The "Gross Percentage Amount" will be reduced by two adjustments:

- First, two-tenths of one percent (0.2 percent) will be deducted to account for the effect of turnover and promotions in the budget year.

- Second, an additional eight-tenths of one percent (0.8 percent) will be deducted to account for the effect of higher paid law-school faculty in ten of the State University's comparison institutions.

(These several adjustments are estimates to be used only for the 1985-86 budget year. During 1985, a survey will be conducted by the State University to determine the accuracy of these adjustments for future years. Commission staff will review the State University's findings in both of these areas.)

The formats for these calculations are shown in Displays 1 and 2 on the following two pages.

8. ADMINISTRATIVE, MEDICAL, AND COMMUNITY COLLEGE SALARIES

Administrative Salaries

In its annual faculty salary report, the Commission will include data on the salaries paid to administrators at the University, the State University, and their respective comparison institutions. The State University will use the same group of comparison institutions as for its faculty survey. For 1985-86 only, the University of California will use the same list of comparison institutions and administrative position descriptions as were used for the 1983-84 budget cycle. Both the comparison group and the positions to be surveyed for future years remain unresolved at this time and will be considered by the Advisory Committee during 1985.

DISPLAY 1 University of California Actual and Projected Comparison Institution Salaries (Equal Weight to Each Comparison Institution)

Academic Rank	Unweighted Average Salaries 1979-80	Unweighted Average Salaries 1984-85	Compound Rate of Increase	Comparison Group Projected Salaries
Professor	$--,---	$--,---	-.---%	$--,---
Associate Professor	--,---	--,---	-.---	--,---
Assistant Professor	--,---	--,---	-.---	--,---

Percentage Increase in University of California 1984-85 All-Ranks Average Salary Required to Equal the Comparison Group Projections for 1985-86

Academic Rank	UC Average Salaries 1984-85	Comparison Group Salaries 1984-85 (Actual)	Comparison Group Salaries 1985-86 (Projected)	Percentage Increase Required in UC Salaries 1984-85	Percentage Increase Required in UC Salaries 1985-86
Professor	$--,---	$--,---	$--,---	--.---%	--.---%
Associate Professor	--,---	--,---	--,---	--.---	--.---
Assistant Professor	--,---	--,---	--,---	--.---	--.---
All Ranks Averages	--,---	--,---	--,---	--.---	--.---
Net Parity Salary and Percentages			$ ---		--.---%

	Professor	Associate Professor	Assistant Professor	Total
University of California Projected Budget-Year Staffing Pattern	-,---	-,---	-,---	-,---

DISPLAY 2 California State University Actual and Projected Comparison Institution Salaries (Weighted by Total Faculty at Each Rank)

Academic Rank	Weighted Average Salaries 1979-80	Weighted Average Salaries 1984-85	Compound Rate of Increase	Comparison Group Projected Salaries
Professor	$--,---	$--,---	-.---%	$--,---
Associate Professor	--,---	--,---	-.---	--,---
Assistant Professor	--,---	--,---	-.---	--,---
Instructor	--,---	--,---	-.---	--,---

Percentage Increase in California State University 1984-85 All-Ranks Average Salary Required to Equal the Comparison Group Projections for 1985-86

Academic Rank	CSU Average Salaries 1984-85	Comparison Group Salaries 1984-85 (Actual)	Comparison Group Salaries 1985-86 (Projected)	Percentage Increase Required in CSU Salaries 1984-85	Percentage Increase Required in CSU Salaries 1985-86
Professor	$--,---	$--,---	$--,---	--.---%	--.---%
Associate Professor	--,---	--,---	--,---	--.---	--.---
Assistant Professor	--,---	--,---	--,---	--.---	--.---
Instructor	--,---	--,---	--,---	--.---	--.---
All Ranks Averages:					
Weighted by CSU Staffing Pattern	$--,---	$--,---	$--,---	--.---%	--.---%
Weighted by Comparison Institution Staffing Pattern	$--,---	$--,---	$--,---	--.---%	--.---%
Mean All-Ranks Average and GPA*	$--,---	$--,---	$--,---	--.---%	--.---%
Adjustments					
Turnover and Promotions			-$ ---		0.200
Effect of Law School Faculty			-$ ---		0.800
Net Parity Salary and Percentage			$--,---		--.---%

	Professor	Associate Professor	Assistant Professor	Instructor	Total
Staffing Patterns					
State University	-,---	-,---	-,---	---	--,---
Comparison Group	-,---	-,---	-,---	---	--,---

*Gross percentage amount.

Medical Faculty Salaries

The Commission will include data on comparative salaries and compensation plans for the University of California and a select group of comparison institutions on a biennial basis commencing with the 1985-86 academic year. Comparison institutions to be surveyed will be Stanford University, the University of Chicago, the University of Illinois, the University of Michigan, the University of North Carolina, the University of Texas at Houston, the University of Wisconsin, and Yale University. Disciplines to be surveyed will be internal medicine, pediatrics, and surgery, which, taken together, will be considered representative of the medical profession as a whole.

Community College Faculty Salaries

In its annual report on faculty salaries, the Commission shall include such comments as it considers appropriate to satisfy the recommendation of the Legislative Analyst contained in the Analysis of the Budget Bill, 1979-80. Comments shall be directed to, but need not be limited by, the contents of the Annual Report on Staffing and Salaries of the Community Colleges' Chancellor's Office.

9. SUPPLEMENTARY INFORMATION

Supplementary information remains an unresolved issue. The categories of data to be supplied by the segments and the years to be included in historical series will be discussed by the Technical Advisory Committee in 1985.

10. CRITERIA FOR THE SELECTION OF COMPARISON INSTITUTIONS

University of California

The following four criteria will be used to select comparison institutions for the University:

1. Each institution should be an eminent major university offering a broad spectrum of undergraduate, graduate (Master's and Ph.D.), and professional instruction, and with a faculty responsible for research as well as teaching.

2. Each institution should be one with which the University is in significant and continuing competition in the recruitment and retention of faculty.

3. Each institution should be one from which it is possible to collect salary and benefit cost data on a timely, voluntary, and regular basis. (Not all institutions are willing to provide their salary and benefit cost data, especially in the detail required for comparison purposes.)

4. The comparison group should be composed of both public and private institutions.

In selecting these institutions, stability over time in the composition of the comparison group is important to enable the development of faculty salary market perspective, time-series analysis, and the contacts necessary for gathering required data.

California State University

The following five criteria will be used to select comparison institutions for the California State University.

1. General Comparability of Institutions: Comparison institutions should reflect the mission, functions, purposes, objectives, and institutional diversity of the California State University system. Faculty expectations at the comparison institutions, in terms of pay, benefits, workload, and professional responsibilities, should be relatively similar to those prevailing at the California State University. To those ends, State University comparison institutions should include those that offer a wide variety of programs at both the undergraduate and graduate levels but that grant very few if any doctoral degrees. Specifically, the 20 institutions that awarded the largest number of doctoral degrees during the ten-year period between 1973-74 and 1983-84 should be excluded. The list should include both large and small, and urban and rural institutions from each of the four major regions of the country (Northeast, North Central, South, and West). Approximately one-fourth to one-third of the institutions on the list should be private or independent colleges and universities, and none of these institutions should be staffed predominantly with religious faculty.

2. Economic Comparability of Institutional Location: The comparison group, taken as a whole, should reflect a general comparability in living costs and economic welfare to conditions prevailing in California. Consequently, institutions located in very high cost areas, such as New York City, or in severely economically depressed areas, such as portions of the deep South, should not be included on the list. In order to ensure a continuing economic comparability between California and those regions in which comparison institutions are located, the Commission will periodically review such economic indicators as it considers appropriate and include the results of its surveys in its annual report on faculty salaries and fringe benefit costs.

3. Availability of Data: Each institution should be one from which it is possible to collect salary and benefit cost data on a timely, voluntary, and regular basis. (Not all institutions are willing to provide their salary and benefit cost data, especially in the detail required for comparison purposes.)

4. Fringe Benefits: The comparison institutions should provide fringe benefits, including a retirement program that vests in the faculty member within five years. This criterion will be reviewed further by the Technical Advisory Committee (see Chapter Four).

3. University of California Comparison Institutions: The comparison group developed for the California State University should not include any institution used by the University of California for its comparison group.

THREE

COMMENTS ON THE REVISED METHODOLOGY

The revised methodology contains a substantial number of changes from the 1977 version. This chapter discusses each of the sections of Chapter Two and explains the rationale for any change since 1977. In addition, it concludes by listing those sections eliminated from the 1977 methodology.

1. NUMBER AND TIMING OF REPORTS

The previous methodology called for two reports, one to be prepared in December to assist the Department of Finance in its development of the Governor's Budget, and the second in April to provide information for legislative hearings on the subject. The first was based on prior-year data projected forward two years to the budget year; the second on current-year data projected forward only one year.

Only one report will be prepared in the future, since both the University and the State University indicate that they will be able to obtain current-year data at an earlier time -- November 15 -- than before. Assuming data from all comparison institutions are available, this change should provide more timely information and reduce workloads at the segmental offices and the Commission.

2. PRINCIPLE OF PARITY

The section remains essentially unchanged.

3. COMPARISON INSTITUTIONS

At present, the University of California's comparison institutions remain unchanged. Further discussion in the Advisory Committee may produce changes in that list which will be effective with the 1986-87 budget cycle.

The California State University's comparison list has undergone substantial change as a result of the Committee's deliberations. Of the previous 20 institutions, only six remain on the new list. The rationale for the changes is discussed below in Section 10 on "Criteria for the Selection of Comparison Institutions."

4. FACULTY TO BE INCLUDED AND EXCLUDED

Some largely technical changes have been made in this section. For the University, the rank of instructor has been eliminated since it is no longer used, and law and clinical faculty have been specifically excluded (probably an oversight previously). Also added for the purpose of making official a practice that has been in effect for several years is the provision that the University's staffing pattern will be based on full-time-equivalent faculty.

For the State University, the language has been streamlined and made to conform to its mission. Previously, the language for both of the senior segments was identical, which led to inconsistencies with regard to such terms as "irregular ranks" and "clinical faculty" that do not apply to the State University's operations. The new language also notes that the State University's staffing pattern is based on headcount faculty and not full-time equivalent faculty.

5. COMPUTATION OF AVERAGE SALARIES AND COST OF FRINGE BENEFITS

This section, while reworded, remains essentially unchanged in meaning.

6. FIVE-YEAR COMPOUND RATE OF SALARY AND FRINGE BENEFIT COST GROWTH

Previously, this section discussed different methods of computing the five-year rate of change in salary growth in the comparison institutions for the preliminary and final reports. The new language requires the same technique as was used previously for the final report.

7. ALL-RANKS AVERAGE SALARIES AND FRINGE BENEFIT COSTS

In this section, there is no change for the University of California.

There is a major change in the method of computing the State University's all-ranks average. Previously, the rank-by-rank averages for both the State University and its comparison group were weighted by the State University's current-year staffing pattern. In the revised methodology, two all-ranks averages are computed, one using the State University's staffing pattern and the other using the comparison institutions' staffing pattern. The all-ranks average used for the computation of the parity percentage is the mean of the two, a technique that eliminates the previous bias created by the fact that

the State University has far more faculty in the upper ranks than does the comparison group as a whole. On the other hand, it does not institute a bias in favor of the comparison institutions' staffing pattern but draws a line exactly halfway between the two. For 1985-86, the net effect is to reduce the State University's salary requirements by approximately 0.5 percent.

Two other adjustments are proposed in the new methodology:

- First, in the 1977 system, a deduction of 0.1 percent was taken from the State University's parity percentage to account for the effect of turnover and promotions. This was done because salary requirements are reduced when a full professor retires and is replaced by a faculty member at a lower rank and reduced salary. Since 1977, this amount was temporarily increased to 0.5 percent, and then reduced to the current level of 0.2 percent. That last amount will be maintained for the 1985-86 year and then possibly adjusted following a survey of actual faculty movement between the ranks or out of the ranks through deaths or retirements.

- The other adjustment concerns law school faculty. At present, eight of the State University's comparison institutions maintain law schools, and the number of law faculty in those universities represents 1.1 percent of the total faculty in the group as a whole. The salaries paid to these faculty are included in the comparison group's averages, tend to raise their average salaries, and thereby increase parity requirements. The current effect is small, but in the new group, 2.9 percent of the faculty are law professors, and Commission staff has estimated that this has the effect of increasing parity requirements in the State University by 0.8 percent, based on a number of assumptions about the pay received by the law faculty in question. For the 1985-86 year, the parity percentage will therefore be reduced by 0.8 percent pending a comprehensive survey of comparison institution law faculty. Once that survey is completed later in 1985, a more permanent adjustment will be included in the methodology. Alternatively, it may be possible to exclude law faculty from the calculations entirely, thereby obviating the need for any adjustment.

  The mechanics of deriving parity percentages for both the University of California and the California State University are detailed in Displays 1 and 2 above.

8. ADMINISTRATIVE, MEDICAL, AND COMMUNITY COLLEGE SALARIES

The administrative salary report has involved some disagreements between the Commission and the University of California, and this portion of the salary report is therefore considered to be unresolved for the years after 1985-86. For 1985-86, an agreement has been reached to use both the comparison institutions and position descriptions used for 1983-84 as an interim measure. The Technical Advisory Committee will discuss the entire matter during 1985.

Concerning medical faculty salaries, two changes are proposed. The first is to substitute the University of North Carolina's medical school for the State University of New York's Upstate Medical School -- the latter having

declined to participate in the survey. The other change is to make the report a biennial submission instead of an annual one.

No changes are proposed to the process of reviewing Community College faculty salaries, although the revised methodology mentions this process for the first time.

9. SUPPLEMENTARY INFORMATION

In previous years, the University and the State University have been requested to supply additional information concerning the number of faculty with doctorates and with tenure or security of appointment by rank. Also requested were data on promotional patterns, separations, destinations of faculty who resign, and sources of recruitment.

Since 1977, a number of questions have arisen concerning the usefulness of these data and the necessity of compiling them annually. During 1985, the Advisory Committee will explore these questions and attempt to reach agreement on the exact nature of the information needed and the frequency of its collection.

10. CRITERIA FOR THE SELECTION OF COMPARISON INSTITUTIONS

University of California

Although, as previously noted, it is possible that one or more of the University of California's comparison institutions may be changed after 1985-86, the Advisory Committee saw no need to change the criteria, and it therefore remains as written in 1977.

California State University

General Comparability of Institutions: The criteria for the selection of comparison institutions for the California State University have been a subject of controversy since the inception of salary reports, largely because of the uniqueness of the State University. In no other state in the nation are there any non-doctoral, degree-granting universities of the size and diversity of several of the State University's campuses. The doctoral prohibition applied to the State University by the Master Plan led some in State government to propose that that segment place only non-doctoral institutions on its comparison list. Such a limitation, however, effectively eliminated from consideration a very large number of universities that were comparable to the State University in virtually every other respect and limited the comparison institutions to a group of small liberal arts colleges. Over the years, various attempts were made to devise a way around this dilemma, but it was not until 1977 that a reasonable compromise was reached.

In that year, it was decided that doctoral degree-granting institutions could be included on the list provided they did not include "the 20 institutions that awarded the greatest number of doctoral degrees during the ten-year period, 1959-60 through 1968-69." At that time, none of the State University's comparison group was in the top 20, and none of the new group may be presently. With one institution, however, there is a question, and that is the University of Southern California, which ranked eighteenth in doctorates granted between 1975 and 1980. Even with USC included, however, it is very clear that the proposed list of comparison institutions is very different in type from the University of California's comparison group with respect to the granting of doctoral degrees. Table 1 below indicates the extent of that difference.

In spite of the difficulty with the University of Southern California, the new list is significantly less rich in doctorate degrees than the old list. Among those proposed, five granted no doctorates at all between 1975 and 1980 compared to only one on the old list. Of greater significance is the

TABLE 1 Doctoral Degrees Awarded by University of California and California State University Comparison Institutions, 1975-1980

UC Comparison Group	Number of Doctorates	CSU Comparison Group	Number of Doctorates
Cornell University	1,073	University of Bridgeport	0
Harvard University	2,075	Boston University	786
Stanford Uuniversity	1,913	Rutgers The State University of New Jersey Newark Campus	60
State University of New York at Buffalo	820	State University of New York at Albany	394
University of Illinois	2,511	Bucknell University	0
University of Michigan	2,340	DePaul University	33
University of Wisconsin	1,656	Wayne State University	663
Yale University	1,171	Mankato State University	0
		Cleveland State University	21
Mean	1,820	University of Wisconsin-Milwaukee	143
		University of Miami-Florida	354
		Georgia State Univesity	325
		North Carolina State University	669
		Virginia Poly Institution and State University	725
		Arizona State University	551
		University of Southern California	1,587
		University of Colorado at Denver	0
		Lewis and Clark College	0
		University of Texas at Arlington	64
		University of Nevada-Reno	83
		Mean	323

Source: American Council on Education, 1983, pp. 2084-2099.

fact that the average for the old list was 467 doctorates per institution compared to the 323 shown above for the new list. Further, where institutions within one system are found on both the University and the State University list, the State University choice is invariably for an institution with a minor doctoral emphasis. Two examples of this difference are (1) the SUNY campuses at Buffalo (820 doctorates) and Albany (394), and (2) the Madison and Milwaukee campuses of the University of Wisconsin (2,656 and 143). Overall, the proposed list of comparison institutions seems an improvement in the sense that it moves a step further away from the kind of comprehensive research and doctoral degree-granting institutions that the Master Plan prohibited the State University from becoming. At the same time, it incorporates new institutions of quality that compare favorably with the State University in size and diversity.

Aside from the doctoral degree-granting considerations, three new subcriteria have to be considered under the heading of "General Comparability" -- (1) diversity of size, (2) regional diversity, and (3) public/independent diversity -- along with the issue of religious affiliations.

- Regarding size, the 1977 criteria tended to reinforce a misconception that the State University is comprised exclusively of large, urban, comprehensive institutions. In selecting comparison institutions, a definite preference for large campuses was specified, even to the point of excluding institutions with less than 300 faculty members, in spite of the fact that the State University system contains five campuses with fewer than that number. The new criteria call for a group that contains "both large and small, urban and rural" campuses, and the colleges and universities on the new list offer precisely that distribution and contrast.

- Second, in terms of regional diversity, the 1977 list divided the 20 institutions into three categories -- "East," "West," and "Other" -- with the last of these categories heavily dominated by the North Central region to the exclusion of all others except the University of Colorado, which more properly belongs to the West. The inclusion in the East category of Virginia Polytechnic Institute and State University also seemed questionable, and it is placed in the South in the new list.

  The new criteria call for regional diversity, and four regions are specified -- Northeast, North Central, South, and West, with between four and six campuses in each. Part of the purpose is to avoid the adverse consequences of a dominant region, (such as the North Central states) suffering a severe economic decline and thereby distorting the comparison group figures from national conditions. More will be mentioned about this problem shortly.

- Third, in terms of public/independent diversity, the State University's old list contained only two independent institutions -- Syracuse University and the University of Southern California -- while the University of California list has been equally divided between public and independent institutions since 1972. If the purpose of a comparison group is to reflect national perspectives, it seems appropriate to include more private universities to the State University list, and its new list contains seven, with the criteria calling for the list to contain between one-fourth and one-third such institutions.

- The final point under "General Comparability" concerns religious faculty. The previous criteria prohibited the inclusion of any institution with religious faculty. The Advisory Committee reconsidered this criterion and decided that it was excessively restrictive since many quality institutions of higher education contain theological departments at the same time that they remain predominantly secular in orientation. Accordingly, the provision was amended to state that the comparison group should contain no institution staffed "predominantly" with religious faculty.

Economic Comparability of Institutional Location: When the State University's current group of comparison institutions was selected in 1973, it appeared that the cost of living and personal income were approximately comparable between California and the areas in which the comparison universities were located. Throughout the 1970s and into the 1980s, however, it became quite clear that the concentration of comparison institutions in the North Central region had created a situation where the State University was comparing itself to a severely depressed economic region of the country. A recent summary of national conditions by the Research Institute of America highlighted one aspect of the problem (1985, p. 1, underlining added):

> The 7.2 percent national unemployment rate is a deceptive reading that doesn't reflect the reality of labor market conditions today. The proverbial lake -- four feet deep on average with 40-foot troughs -- means the U.S. jobs picture is one of high islands and deep holes.
>
> Worst problem area centers in West Virginia, Ohio, Western Pennsylvania, where steel shutdowns seem permanent, no replacements in sight.
>
> Another deep hole: The Southern Michigan, Northern Indiana region. Carmaking has recovered, but thousands of jobs haven't come back. It's a textbook case of assembly-line automation wiping out jobs. Other deep pockets include the Illinois-Iowa farm machinery centers.

Of the 20 comparison institutions until now, nine are located in these depressed areas, and because many of them are large universities, they heavily influence the comparison institution all-ranks average.

In the future, it is certainly possible that economic conditions will change again, and it is for that reason that this criterion now calls on the Commission to examine economic conditions from time to time to ensure that general comparability is maintained. The Commission surveys are to be conducted "periodically," which will probably mean about every five years and more frequently if conditions warrant.

Other Criteria: The three remaining criteria are essentially unchanged from the 1977 document.

Criteria Eliminated: The following list identifies all of the criteria that were eliminated, changed substantially, or subsumed elsewhere in the new proposal, and explains the reasons for these changes.

1. Prohibit the inclusion of institutions with less than 300 faculty. This criterion was eliminated because of the need to create a more representative list of comparison institutions. It was explained under "General Comparability" above.

2. Comparability of states' ability to support higher education. Previously, this criterion specified that no comparison institution could be located in a state where the per-capita income was more than 10 percent below the national average. It also stated that institutions in New York City and Washington, D.C., could not be included because of the very high cost of living in those cities.

   Analysis of per-capita income statistics revealed great inconsistencies among the states. On the next page, Table 2 shows those states that had per-capita incomes more than 10 percent below the national average in 1973 (the year the most recent comparison list was established) and 1982 (the most recent year for which data are available).

   Table 4 shows that several states on the list with poor per-capita incomes are nevertheless among the most progressive in supporting higher education. Examples include Georgia, North Carolina, and Utah. Although Texas is no longer in the below-10-percent category, it was in this group only ten years ago, and in 1982 it was only 2.8 percent above the national average, while California was 13.1 percent above it. Yet few states have attempted to improve the quality of higher education in recent years more than Texas.

   For these reasons, the per-capita income standard no longer seems viable, and on the proposed list of State University comparison institutions, Georgia, North Carolina, and Texas are all represented.

3. Competition for Faculty. This appears to be no longer a viable criterion since there is probably no list of 20 institutions that would account for even a fourth of the State University's recruiting. The new criterion, "General Comparability of Institutions" has been substituted.

4. Similarity of Functions. This criterion has also been eliminated and subsumed under "General Comparability of Institutions."

5. Acceptance as Comparison Institutions. Previous acceptance as a comparison institution seemed an artificial constraint on the Advisory Committee and has been eliminated. At the time it was included in the list of criteria, comparison institutions changed far more frequently, and there was a greater concern for continuity. Now, however, there is general agreement that the new list will remain in effect for at least ten years, thus eliminating the need for this requirement.

6. Senior or Tenured Faculty. This criterion specified that the State University's comparison group should have a faculty mix ratio in the upper two ranks that is similar to the ratio of faculty in the State University. Now that an adjustment for staffing patterns has been proposed in the new methodology, this requirement is no longer needed, and since the percentage of faculty at the upper two ranks in the State University is far higher than in the existing or proposed comparison

TABLE 2 Per-Capita Income Data for the Nation, Regions, and Those States at Least 10 Percent Below the National Average for Either 1973 or 1982

State and Region	Per-Capita Income 1973	1982
National Average	$5,010	$11,107
10 percent Below the National Average	4,509	9,996
New England	($5,283)	($11,916)
Maine	$4,124	$ 9,042
Vermont	4,291	9,507
Mideast	($5,476)	($12,087)
Great Lakes	($5,258)	($11,055)
Plains	($5,176)	($10,789)
South Dakota	Above 10% Level	$ 9,666
Southeast	($4,253)	($ 9,062)
Alabama	$3,825	$ 8,649
Arkansas	3,791	8,479
Georgia	4,370	9,583
Kentucky	3,997	8,934
Louisiana	3,855	Above 10% Level
North Carolina	4,241	9,044
South Carolina	3,903	8,502
Tennessee	4,111	8,906
West Virginia	3,902	8,769
Southwest	($4,441)	($11,112)
New Mexico	$3,944	$ 9,190
Oklahoma	4,284	Above 10% Level
Texas	4,476	Above 10% Level
Rocky Mountain	($4,743)	($10,754)
Idaho	Above 10% Level	$ 9,029
Montana	Above 10% Level	9,580
Utah	$4,072	8,875
Far West	($5,394)	($12,238)

Source: U.S. Department of Commerce, 1984.

group -- 84.2 percent in the State University as of 1983-84, compared to 68.2 percent in the existing group, and 69.1 percent in the proposed group -- it seems clear that this criterion has not been adhered to for some time.

FOUR

UNRESOLVED ISSUES

Several issues within the methodology remain unresolved and are listed here. Most have been discussed previously, but they are summarized in this chapter in a form that can constitute the agenda for future meetings of the Technical Advisory Committee.

1. UNIVERSITY OF CALIFORNIA COMPARISON INSTITUTIONS

The University has expressed concern about the concentration of its public comparison institutions in the North Central region, a perception it shares with the State University. These include the University of Michigan-Ann Arbor, the University of Illinois Urbana campus and especially the University of Wisconsin-Madison. A full review of the University's list will be undertaken during 1985.

2. THE FIVE-YEAR COMPOUND RATE OF CHANGE

It was suggested that the time period for calculating the annual rate of change in comparison institution salaries be changed from the current period to five years to some different period. Alternatively, if the five-year period is maintained, a greater weight should be given to the more recent years. The Legislative Analyst has specifically proposed a three-year period.

The problem arose because of the rapid changes in the rate of inflation over the past ten years and the reaction of the comparison institutions to that rate. Five years ago, in 1979-80, the Consumer Price Index rose 13.3 percent and then rose another 11.5 percent the following year. In response to these pressures, college and university salaries rose much faster in those years than in 1983-84 (and probably 1984-85 as well), when the average national salary increase was 4.7 percent, compared to 7.1 percent in 1979-80, 8.7 percent in 1980-81, and 9.0 percent in 1981-82.

When the higher increases are averaged with the more recent ones, the annual predicted rate of change into 1985-86 is almost certainly overstated. Conversely, when inflation is rising instead of falling, cost-of-living adjustments for California faculty tend to understate the real need. The use of either a different time frame or a weighting toward more recent percentage changes in the comparison groups could correct at least part of this problem.

3. ADJUSTMENTS FOR TURNOVER AND PROMOTIONS AND FOR LAW FACULTY

For the State University, two adjustments are included in the parity percentage calculations, one to reflect turnover and promotions and the other to adjust for the effect of a greater number of law school faculty in the new list of comparison institutions than in the existing list. During 1985, surveys will be conducted to determine appropriate levels for these adjustments.

4. ADMINISTRATIVE SALARIES

Due to disagreements between the Commission and the University of California, the subject of administrative salaries will be reviewed with the objective of determining a list of comparison institutions and position descriptions for use over the next ten years. The institutions and positions used for the State University's survey may also be discussed.

5. FRINGE BENEFITS

Fringe benefits have posed a number of difficulties to salary analysts for many years. There has never been a consensus as to what constitutes a fringe benefit, the true employer and employee costs of certain fringe benefits, their actual value to different classes of faculty members, or how benefits should be factored into the overall assessment of faculty compensation. A number of attempts to resolve these questions have been made in recent years, but it appears prudent at this time to keep the questions surrounding benefit packages open for future deliberations of the Technical Advisory Committee.

A related issue concerns the use of a portion of the salary appropriation for improvements in the fringe-benefit package. During the 1984-85 fiscal year, for example, some salary funds were used to improve dental plan benefits, and the Department of Finance has raised a question about this and related practices. The Technical Advisory Committee will consider the implications of these practices during 1985.

6. SUPPLEMENTARY INFORMATION

During 1985, the Committee will also discuss the details of supplementary information submissions, including the frequency of reporting. Among the items to be discussed are segmental reports on number of faculty, hiring and separation, sources of recruitment, destinations of faculty who resign, promotional patterns, number of faculty with advanced degrees, number of faculty with tenure or security of appointment, and measures for the total resources provided per faculty member.

APPENDIX A

California Postsecondary
Education Commission

June 13, 1977

REVISED METHODOLOGY FOR THE PREPARATION OF THE ANNUAL REPORT ON UNIVERSITY OF CALIFORNIA AND CALIFORNIA STATE UNIVERSITY AND COLLEGES FACULTY SALARIES AND FRINGE BENEFITS, 1978-79

INTRODUCTION

The methodology to be employed for the 1978-79 report contains a number of substantive modifications from that adopted by the Commission in September, 1974 and used for the annual reports for 1975-76, 1976-77, and 1977-78.

In developing this new methodology, both the University of California and the California State University and Colleges conferred with a number of groups and individuals, including representatives of faculty organizations. Subsequently, each segment submitted proposals for changes in the existing methodology. These proposals were then considered by a technical advisory committee established by the Commission consisting not only of Commission staff and segmental representatives, but also of representatives of the Department of Finance and the Office of the Legislative Analyst.

In the past year, one aspect of the annual report on faculty salaries and fringe benefits was heavily criticized; namely, the treatment of the comparison of fringe benefits. This criticism centered on two major points. The first related to the recent practice of treating the cost of fringe benefits and the salary adjustments required to achieve parity as additive to produce a figure for "Total Equivalent Compensation" (TEC). This practice will be discontinued in subsequent years. The second criticism stemmed from the fact that the comparison method was limited to the employer cost of benefits (expressed as a percentage of payroll). Since there is, at best, only an indirect relationship between the value of fringe benefits to the employee and the cost of those benefits to the employer, the use of fringe benefit comparisons with other institutions can often be seriously misleading.

Although the basic difficulties with fringe benefit comparisons were noted in the report for the 1977-78 fiscal year, it is proposed that a much more definitive disclaimer be included in the text for the 1978-79 report. Clearly, a benefit package of given cost may be very different from another benefit package of the same cost when the two are defined and administered differently. By way of illustration, if the employer adds to a pension fund to improve its actuarial integrity, it increases the cost of the benefit package but does not result in any new or additional benefits.

The Commission will continue to show the results of the comparison survey regarding the cost of fringe benefits but will display it

separately from the salary data and will include a sufficiently detailed explanation of the issues so as to avoid misunderstanding or inappropriate use of the figures.

The second major change is the elimination of the "Cost of Living Adjustment for Salaries." For the past three years, an adjustment has been made in the projected salaries of the comparison institutions to account for changes in the rate of inflation. This adjustment has been widely misunderstood. It is not an escalator clause of the kind frequently found in collective bargaining agreements; it is an index only of changes in the rate of inflation and not a measure of inflation itself.

The other changes are essentially technical in nature. To date, all ranks average salary and fringe benefit projections have been made on the basis of prior year (for the preliminary report) and current year (for the final report) segmental staffing patterns. Since these elements of compensation are implemented in the budget year, it is desirable to establish a staffing pattern for that year. This will be done by the University of California for the 1978-79 report and by the California State University and Colleges beginning in 1979-80.

The final change will affect only the computation of fringe benefits for the California State University and Colleges. That system previously based its fringe benefit projections on the assumption that no salary increase would be granted. Because an increase in salary automatically increases applicable fringe benefits, a degree of distortion occurs. The University of California uses a system whereby a salary increase is computed first, the automatic increases in fringe benefits resulting from that increase accounted for, and the fringe benefits calculated after this accounting. The Commission believes the latter approach to be more reasonable and has therefore adopted it for both segments.

METHODOLOGY

The procedures to be employed for the 1978-79 budget year and in subsequent years are as follows:

A. NUMBER AND TIMING OF REPORTS

Two reports will be prepared each year. The first report, based on preliminary data, will be submitted to the Department of Finance in November. The final report, based on the most current data, will be submitted to the Legislative Budget Committee in April. In order to meet these submission dates, the University of California and the California State University and Colleges will forward data on comparison institutions and segmental faculty salaries to Commission

staff by mid-October for the preliminary report and by late February for the final report.

B. PRINCIPLE OF PARITY

The report will indicate what adjustments would be needed for the forthcoming year for salaries and costs of fringe benefits for University of California and California State University and Colleges' faculty to achieve and maintain rank-by-rank parity with such salaries and costs of fringe benefits provided faculty in appropriate comparison institutions. A separate list of comparison institutions will be used by each of the California segments of higher education. The report will separate calculations and displays of data related to percentage increases required for parity in salaries from those related to fringe benefit costs.

C. COMPARISON INSTITUTIONS[1]

Comparison institutions for the University of California will be:

Cornell University
Harvard University
Stanford University
State University of New York at Buffalo
University of Illinois
University of Michigan at Ann Arbor
University of Wisconsin at Madison
Yale University

Comparison institutions for the California State University and Colleges will be:

East

State University of New York at Albany
State University of New York College at Buffalo
Syracuse University
Virginia Polytechnic Institute and State University

West

University of Southern California
University of Hawaii
University of Nevada
University of Oregon
Portland State University

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1. If any institution is omitted for any reason, a replacement will be selected based upon the established criteria by Commission staff in mutual consultation with the segments, the Department of Finance, and the Legislative Analyst. The Attachment indicates the criteria for selection of the comparison institutions.

Other

University of Colorado
Illinois State University
Northern Illinois University
Southern Illinois University
Indiana State University
Iowa State University
Wayne State University
Western Michigan University
Bowling Green State University
Miami University (Ohio)
University of Wisconsin at Milwaukee

D. FACULTY TO BE INCLUDED AND EXCLUDED

The faculties to be included in the comparisons are those with full-time appointments at the ranks of professor, associate professor, assistant professor, and instructor, employed on nine and eleven month (prorated) appointments, (both regular and irregular ranks as appropriate), with the exception of faculties in the health sciences, summer sessions, extension programs and laboratory schools, provided that these faculties are covered by salary scales or schedules other than that of the regular faculty. At the rank of instructor, full-time equivalent faculty are used because of the preponderance of part-time appointments at this rank.

The faculty members to be included are those assigned to instruction (regardless of the assignments for research or other university purposes), department chairmen (if not on an administrative salary schedule), and faculty on salaried sabbatical leave.

E. COMPUTATION OF AVERAGE SALARIES AND COST OF FRINGE BENEFITS

For each academic rank within the California State University and Colleges' comparison groups, the total actual salary dollars for the combined group is divided by the number of faculty within the rank to derive average salaries by rank for their comparison institutions as a whole. Average costs of fringe benefits will be computed in a similar manner.

For the University of California's comparison groups, the average salary by rank is obtained for each comparison institution. The single average salary (for each rank) for the comparison group is then calculated by adding the average salaries at the eight comparison institutions and dividing by eight, thereby giving equal weight to each institution regardless of the number of faculty. The same procedure should be used to compute the cost of fringe benefits.

F. FIVE-YEAR COMPOUND RATE OF SALARY AND FRINGE BENEFIT GROWTH

For the preliminary report, a five-year compound rate of change in salaries and fringe benefits at each rank at the comparison institutions will be computed on the basis of actual salary and fringe benefit data of the preceding year and of the prior five years.

In obtaining compound rates of change at the comparison institutions, each segment will compute the average salary and fringe benefit costs by rank for their respective comparison institution groups as specified in Section E above. Each will then calculate the annual compound growth rate changes in average salaries and fringe benefit costs for each rank (over the five-year period) at their respective comparision institutions. These rates of change will then be used to project average salaries and costs of fringe benefits for that rank forward for two years to the budget year.

The same procedure will be used in producing the final report, except that the base year for the comparison institutions will be moved forward one year, permitting the use of a one-year projection rather than the two-year projection necessary in the preliminary report. The California segments will use actual current salary and fringe benefit data as reported by the comparison institutions rather than budgeted figures.

G. ALL-RANKS AVERAGE SALARY AND FRINGE BENEFIT COSTS

Average all-ranks average salaries and fringe benefit costs projected for the budget year will be calculated for each segment, using the average salaries and fringe benefits by rank projected for the budget year for the comparison groups and the staffing pattern in the appropriate California segment. The California State University and Colleges will use the current year staffing pattern while the University of California will use a staffing pattern projected for the budget year. These all-ranks average salary and fringe benefit amounts for the budget year constitute the salaries and fringe benefits to be provided to the corresponding California segment for that segment to achieve parity, rank-by-rank, with its comparison group. The average all-ranks salaries and fringe benefits thus projected to the budget year for each California segment will then be compared with the current all-ranks average salaries and fringe benefits for that segment to determine the percentage increase required by the segment to achieve parity. For the 1978-79 report, the California State University and Colleges will modify the percentage difference (to 1/10th of a percentage point) to account for merit increases, promotions, and faculty turnover. This adjustment will not be necessary for the University of California since the projection of the staffing pattern into the budget year will account for these adjustments automatically. In subsequent years, the California State University and Colleges will use the same procedure as the University of California.

H. SUPPLEMENTARY INFORMATION

The Commission will prepare supplementary tables containing five years of trend data, with the data for the most recent year supplied by the segments.

1. Number of full-time faculty by rank;

2. Number and percent of new and continuing full-time faculty with the doctorate by rank;

3. Number and percent of full-time faculty with tenure or security of appointment by rank;

4. Separations of full-time faculty with tenure or security of appointment by rank;

5. Destination of faculty who resign, by rank (indicating the name of the institution for those faculty remaining in higher education);

6. Sources of recruitment by rank;

7. Faculty promotional patterns.

APPENDIX B

House Resolution No. 250, 1964 First Extraordinary Session, Relative to the Economic Welfare of the Faculties of the California Public Institutions of Higher Education

WHEREAS, The Master Plan for Public Higher Education strongly recommended that every effort be made to ensure that the institutions of higher education in California maintain or improve their position in the intense competition for the highest quality of faculty members; and

WHEREAS, The Coordinating Council for Higher Education in its annual report to the Governor and the Legislature regarding level of support for the California State Colleges and the University of California recommended that funds should be provided to permit at least an additional 5 percent increase in academic salaries for the California State Colleges and the University of California; and

WHEREAS, The Trustees of the California State Colleges in their annual report to the Legislature declared that the California State Colleges are falling far behind in the face of this competition and that by 1964-65 faculty salaries will be lagging 14 to 18 percent behind those of comparable institutions; and

WHEREAS, Greatly increasing enrollments in institutions of higher education in California during the next decade will cause a demand for qualified faculty members which cannot possibly be met unless such institutions have a recruitment climate which will compare favorably with other colleges, universities, business institutions, industry, and other levels of government; and

WHEREAS, California has achieved an enviable momentum in business and industrial development, a momentum now threatened by lagging faculty salaries so that failure to maintain adequate salary scales for faculty members in California institutions of higher education would be false economy; and

WHEREAS, There have been widespread reports from the State College and University campuses that higher salaries elsewhere are attracting some of the best faculty members from the California institutions of higher education, and if such academic emigration gains momentum because of inadequate salaries, the effect will disrupt the educational processes and result in slower economic growth, followed by lower tax revenues; and

WHEREAS, The Legislature has a continuing interest in the difficult and pressing problems faced by the California institutions of higher education in attracting and maintaining outstanding faculty members [illegible]iod of stiff competition and rapid growth; and

WHEREAS, The Legislature has a continuing interest in the difficult and pressing problems faced by the California institutions of higher education in attracting and maintaining outstanding faculty members in a period of stiff competition and rapid growth; and

WHEREAS, The State's investment in superior teaching talent has been reflected in California's phenomenal economic growth and has shown California taxpayers to be the wisest of public investors, but unless the superiority in faculty quality is maintained, the contributions by the California institutions of higher education to the continued economic and cultural development of California may be seriously threatened; now, therefore, be it

RESOLVED BY THE ASSEMBLY OF THE STATE OF CALIFORNIA, That the Assembly Committee on Rules is directed to request the Joint Legislative Budget Committee to study the subject of salaries and the general economic welfare, including fringe benefits, of faculty members of the California institutions of higher education, and ways and means of improving such salaries and benefits in order that such California institutions of higher education may be able to compete for the talent necessary to provide the highest quality of education, and to request such committee to report its findings and recommendations to the Legislature not later than the fifth legislative day of the 1965 Regular Session.

A RECOMMENDED METHOD FOR REPORTING TO THE LEGISLATURE ON FACULTY SALARIES AND OTHER BENEFITS AT THE UNIVERSITY OF CALIFORNIA AND THE CALIFORNIA STATE COLLEGES

(Pursuant to HR 250, 1964 First Extraordinary Session)

Prepared by the
Office of the Legislative Analyst
State of California

January 4, 1965

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INTRODUCTION

The purpose of this staff report is to recommend a method for reporting to the Legislature on salaries, fringe benefits and other special economic benefits for faculties of the University of California and the California State Colleges. This report has been prepared by the Joint Legislative Budget Committee in response to House Resolution 250 (1964 First Extraordinary Session, Appendix 1)[1] which resolved:

> "That the Assembly Committee on Rules is directed to request the Joint Legislative Budget Committee to study the subject of salaries and the general economic welfare, including fringe benefits, of faculty members of the California institutions of higher education, and ways and means of improving such salaries and benefits in order that such California institutions of higher education may be able to compete for the talent necessary to provide the highest quality of education, and to request such committee to report its findings and recommendations to the Legislature not later than the fifth legislative day of the 1965 Regular Session."

Staff of the Joint Legislative Budget Committee initiated its study by seeking information which would reflect the magnitude of California's long-range and immediate problems regarding the need to recruit and retain an adequate number of high quality faculty. While reviewing past reports presented to the Legislature as justification for salary increase recommendations by the Coordinating Council for Higher Education, the University of California and the California State Colleges, it became apparent that the first step in trying to improve faculty salaries and other benefits is to furnish the Legislature with comprehensive and consistent data which identify the nature and level of competitive benefits. The costs associated with recommendations, rated according to priority, should be included in proposals by the segments in order to aid the Legislature in determining how much to appropriate and the benefits which an appropriation will buy.

There has existed in the past a difference between what the institutions have recommended as the need for salary and benefit increases and what has finally been appropriated by the Legislature. There are two principal reasons for this difference which at times may be closely related: (1) The Legislature may disagree with what is proposed as to need, or (2) there may not be enough funds to meet the need because of higher priorities in other areas of the budget.

These needs are very complex and, for example, include such factors as:

1. Disagreement with conclusions drawn from data submitted in justification of recommendations;
2. Lack of confidence in the quantity, quality, or type of data;
3. The failure of advocates to make points which are concise and clearly understandable;
4. The submission of conflicting data by legislative staff or the Department of Finance.

After careful consideration, it was determined that a special report should be made to the Budget Committee containing recommendations as to the kind of data the Legislature should be furnished for the purpose of considering salary and other benefit increases.

On August 5, 1964 a letter (Appendix 2) was sent from the Legislative Analyst to the Coordinating Council for Higher Education, the University of California, the California State Colleges, the Department of Finance and various faculty organizations informing them that the Joint Legislative Budget Committee was planning to hold a public hearing in connection with HR 250 and asking for replies to a series of questions designed to gather background information about salary and fringe benefits data (Appendix 3. Copies of Replies Received). The primary purpose of the hearing was to provide the University of California, the California State Colleges and interested groups the opportunity to indicate the basis on which salary and fringe benefits should be reported to the Legislature, including the kind of data to be compiled and who should compile and publish it (Appendix 4, Copies of Prepared Testimony Filed with the Joint Legislative Budget Committee at the October 15, 1964 Hearing). The contents of most of the prepared statements discussed problems and in some instances recommendations relating to faculty salaries and other benefits rather than the primary purpose of the hearing, but the testimony did serve to identify areas of concern. The hearing also established legislative interest in the subjects of faculty workload and sources of supplementary income.

The review of past faculty salary reports, the replies to the Legislative Analyst's letter of August 5, 1964, the oral and prepared statements received at the October 15, 1964 hearing of the Joint Legislative Budget Committee and other sources have revealed significant findings and permitted the development of recommendations concerning the type of information and method of presentation that should be included in future faculty salary reports prepared for the Legislature.

BACKGROUND

Current procedures for review of faculty salary and other benefit increase proposals, starting with the presentation of recommendations by state colleges and University of California administrative officials to their respective governing boards, appear generally to be adequate, with minor reservations. The State College Trustees and the Regents of the University of California generally formulate their own proposals in December and forward them to the State Depart-

[1] Appendices deleted.

ment of Finance for budget consideration. Concurrently the Coordinating Council for Higher Education also makes a report with recommendations which is made available to the State Department of Finance. The Governor and the Department of Finance consider these salary increase proposals in relation to the availability of funds and their own analysis of faculty salary needs and decide how much of an increase, if any, to include in the Governor's Budget. The Legislative Analyst in the *Analysis of the Budget Bill* provides analysis and recommendations as to the Governor's budget proposal.

When appropriate legislative committees hear the budget request for faculty salary increases they may be confronted with several recommendations from various sources. Their first responsibility is to consider the Governor's recommendations in the Budget Bill. However, the University and the California State Colleges generally request the opportunity to present their own recommendations, which frequently differ from the Governor's proposal. Also, the Coordinating Council for Higher Education presents its recommendations. Various faculty organizations may desire to make independent proposals. The Legislature has been cooperative in providing all interested parties the opportunity to present their views, but these presentations have been marked by extreme variations in recommendations and in the data which support the requests.

WHO SHOULD PREPARE FACULTY SALARY REPORTS

There appears to be some difference of opinion concerning the purpose of faculty salary reports and recommendations prepared by the Coordinating Council for Higher Education. The University of California and the California State Colleges contend that they should make direct recommendations to the Governor and the Legislature and that Coordinating Council recommendations should be regarded as independent comments. Conversely, the Department of Finance and the Coordinating Council for Higher Education believe that salary reports and recommendations of the Coordinating Council should be the primary report submitted to the Department of Finance and the Governor to consider in preparing budget recommendations. The Department of Finance states that such a report should be regarded as similar in status to the annual salary report relating to civil service salaries prepared by the State Personnel Board for the Governor and the Legislature. It is our opinion that the Legislature should give specific and primary consideration to the recommendations in the Governor's Budget and to the annual faculty salary report of the Coordinating Council for Higher Education. However, any separate recommendations of the University of California and the California State Colleges should also be considered.

WHAT FACULTY SALARY REPORTS SHOULD CONTAIN

We do not believe that reporting required of the University, the California State Colleges, and the Coordinating Council for Higher Education should limit the right of these agencies to emphasize specific points in supporting their own recommendations. However, the Legislature should take steps to establish a consistent basis upon which it will receive comprehensive information about faculty salaries, other benefits, and related subjects from year to year. After careful consideration of the statistical and other grounds presented in support of salary and other benefit increase proposals in the past, we recommend that basic data be included in faculty salary reports to the Legislature in a consistent form in the following areas:

A. Faculty Data
B. Salary Data
C. Fringe Benefits
D. Total Compensation
E. Special Privileges and Benefits
F. Supplementary Income

Since it is necessary for staff of the executive and legislative branches of government to analyze recommendations prior to the commencement of a legislative session, all reports and recommendations should be completed by December 1 of each year.

A. Faculty Data

1. Findings
   a. Informative data about the size, composition, retention, and recruitment of California State College faculty has been presented to the Legislature from time to time, but usually it has been so selective that it lacks objectivity and has been inconsistent from year to year.
   b. Superior faculty performance has not been demonstrated as a reason to justify past requests for superior salaries.

2. Recommendations

   The following data should be compiled and presented annually on a consistent basis. Definitions of what constitutes faculty are left to the discretion of the University and the state colleges but should be clearly defined in any report. Additional data may be included in any given year to emphasize special problems, but such data should supplement not replace the basic information recommended below. Graphs should be used when practical, accompanied by supporting tables in an appendix. Recommended faculty data includes:

a. The number of faculty, by rank and the increase over the previous five years to reflect institutional growth.

b. Current faculty composition expressed in meaningful terms, including but not limited to the percentage of the faculty who have PhD's.

c. Student-faculty ratios as a means of expressing performance.

d. Data relating to all new full-time faculty for the current academic year including the number hired, source of employment, their rank and highest degree held. Existing vacancies should also be noted. Pertinent historical trends in these data should be analyzed. We do not believe that subjective and incomplete data estimating reasons for turning down offers, such as has been presented in the past, serves any useful purpose.

e. Faculty turnover rates comparing the number of separations to total faculty according to the following suggested categories; death or retirement, to research or graduate work, intra-institutional transfers, other college or University teaching, business and government, other.

3. Comments

The first three recommendations above are designed to reflect faculty size, composition, rate of growth, and workload. The inclusion of consistent data from year to year will facilitate trend analysis as it relates to the institutions involved and, when possible, to comparable institutions. The purpose of including data on new faculty and faculty turnover is to provide a quantitative base for discussions of problems relating to faculty recruitment and retention. It may also be beneficial to include some basic statistics about the available supply of faculty to see what proportion of the market, new PhD's for example, California institutions hire every year.

B. Salary Data

1. Findings

a. The University for several years has exchanged salary data to provide a consistent comparison with a special group of five "eminent" universities, as well as with a group of nine public universities. Conversely, the California State Colleges have not yet established a list of comparable institutions which is acceptable to them.

b. Both the University of California and the Coordinating Council for Higher Education maintain that salary comparisons to appropriate institutions is the best single method of determining salary needs.

c. The University of California places less significance on salary comparisons with non-academic employment than the Coordinating Council on Higher Education and the California State Colleges.

d. Salary increases have been proposed on the basis of differentials between total compensation (salaries plus fringe benefits) in comparable institutions.

e. Both the University and the California State Colleges have tended to relate the size of proposed salary increases to how much of an increase would be necessary to return to a specific competitive position which existed in 1957-58 and which was unusually advantageous.

f. Salary comparisons have frequently been made to various levels of teaching including elementary, high school, and junior college salaries.

g. Methods of salary comparisons with other institutions have varied from year to year in reports prepared by the state colleges.

2. Recommendations

a. We recommend that proposed faculty salary increases distinguish between: (1) increases necessary to maintain the current competitive position and (2) increases to improve the current competitive position.

(1) Proposed increases to maintain the existing competitive position should be equivalent to a projection of the average salary relationship between the University, or state colleges, and comparable institutions during the current fiscal year to the next fiscal year. We recommend that this projection be based on a projection of actual salary increases by rank in comparable institutions during the past five years, permitting statistical adjustments for unusual circumstances. Thus the proposed increase to maintain the existing competitive position would, in effect, be equal to the average of annual salary increases in comparable institutions during the past five years. A record of the accuracy of projections should be maintained in an appendix.

(2) Recommendations to improve the current competitive positions should be related to the additional advantages to be derived.

b. It is also recommended that the California State College Trustees select a list of com-

parable institutions within the next year and that agreements be negotiated to exchange salary data in a form which will facilitate comparisons. A list of the criteria used to select comparable institutions, plus characteristics of the institutions selected, should be included in next year's report.

c. Specific proposals for salary increases should be accompanied by comparisons of current salary amounts and historic trends to comparable institutions. The following general principles are considered to be important:

(1) Salary data should be separated from fringe benefit and special benefit data for purposes of reporting salary comparisons.

(2) A consistent form should be used from year to year to present salary data. A suggested form might be to illustrate a five-year historic trend in average salaries by using a line graph for each rank. An alternative might be a table which simply shows where California ranked among comparable institutions during the past five years.

The current salary position might best be illustrated by showing a list of average salaries of the California institutions and the other comparable institutions from the highest to the lowest average, by rank, for the last actual and current years. This will show the relative position of the California institution for the last actual and current years, as well as the range of averages. Frequency distributions of faculty by rank or professor should be incorporated in an appendix and any significant limitations in the use of averages between those particular institutions in a given year should be noted. For example, an unusual proportion of faculty in the high ranks or the low ranks would affect the comparability of the arithmetic means.

(3) Special data to illustrate a particular problem in any given year would be appropriate as long as it supplements, rather than replaces, basic salary data.

d. Finally, it is recommended that salary data be reported in a form by rank which compensates for differences in faculty distributions.

C. Fringe Benefits

1. Findings

a. The definition of fringe benefits generally includes benefits available to all faculty that have a dollar cost to the employer. Benefits and services in kind are considered to be fringe benefits only if a cash payment option is available. Retirement and health insurance, by definition, are the only two programs considered as fringe benefits by the University of California and the California State Colleges.

b. Comparisons of fringe benefits, when comparisons have been made at all, have generally been limited to the dollar contribution by the employer and have not included any analysis of the quality of the benefits to the employee.

2. Recommendations

a. It is recommended that fringe benefit comparisons of type of benefit be included in faculty salary reports, but compared separately from salaries. Such comparisons should include an analysis of the quality of the benefits as well as the dollar cost to the employer.

b. Proposals to increase specific fringe benefits should be made separately from salaries, including separate cost estimates.

3. Comments

Separate proposals for increases in salaries and fringe benefits should be made to minimize misunderstanding about competitive positions. For example, information submitted to the 1963 Legislature by the University of California, in support of a proposed salary increase for 1963–64, compared total compensation data (salaries plus fringe benefits) rather than salaries alone. This report stated in part: "In comparing salaries, fringe benefits must be taken into account. Salary comparisons between the University and other institutions based on salary *alone* look far more favorable than comparisons of salaries *plus benefits*." The least favorable comparison was with fringe benefits, not salaries, thus the report recommended a salary increase largely on the basis of a difference in fringe benefits. Although it is felt that comparisons of total compensation are appropriate inclusions in a faculty salary report, such data should only be in addition to rather than in place of separate analyses of the current competitive position in salaries and fringe benefits.

D. Total Compensation

1. Findings

a. Total compensation data consists of average salaries plus a dollar amount representing the employer's cost of fringe benefits.

b. The Coordinating Council for Higher Education, the University of California and the California State Colleges have in the past all

used total compensation data prepared and published by the American Association of University Professors in their respective faculty salary reports.

2. Recommendations

We recommend that total compensation data, as reported by the American Association of University Professors, be included in faculty salary reports as a supplement to separate salary and fringe benefit information.

E. Special Privileges and Benefits

1. Findings

There are other faculty privileges and economic benefits which are not classified as fringe benefits because they may not be available to all faculty or fit the definition of a fringe benefit in some other respect. Examples at the University of California include up to one-half the cost of moving expenses, vacations for 11-month appointees, the waiving of nonresident tuition for faculty children, sabbatical leaves with pay, and other special and sick leaves with or without pay.

2. Recommendations

It is recommended that a list of special privileges and benefits be defined and summaries of related policies be included in a special section in future faculty salary reports so that the Legislature will be aware of what these privileges and benefits include.

3. Comments

The expansion or establishment of some of these special privileges and benefits could improve recruiting success more than the expenditure of comparable amounts in salaries. For example, moving expenses are not currently offered by the state colleges but some allowance might make the difference of whether a young candidate from the East could accept an appointment. If this type of benefit is proposed, it must include adequate controls.

F. Supplementary Income

1. Findings

a. The multiple loyalties created by permitting faculty to supplement their salaries by earning extra income from various sources within and outside his college or University is recognized as a problem common to institutions of higher education throughout the United States.

b. There apparently are proportionately more private consulting opportunities in California than in other areas of the nation. For example, 51 percent of the federal research defense contracts were concentrated in California during 1963–64.

c. The University of California has general policies designed to insure that outside activities do not interfere with University responsibilities. If outside activities interfere with University responsibilities, the faculty member generally must take a leave of absence without pay until such outside activities are completed. These and other related University policies were praised in a 1966 Carnegie-financed study titled *University Faculty Compensation Policies and Practices.*

d. The Coordinating Council for Higher Education submitted excerpts from nationwide studies relating to the magnitude of outside activities. We have no way of determining how the data may relate to California, but if the figures are reasonable, then it appears that probably a large percentage of faculty have at least one source of extra income. Sources of income were reported are follows:

Source	*Percent of faculty earning additional income from source*
Lecturing	21%
General writing	23
Summer and extension teaching	25
Government consulting	15
Textbook writing	16
Private consulting	12
Public service and foundation consulting	9
Other professional activities	13

Source: University Faculty Compensation Policies and Practices in the U. S., Association of American Universities, University of Illinois Press, Urbana, 1966.

e. The United State Office of Education has just completed a nationwide sample survey of outside earnings of college faculty for 1961–62. Although data has not been published yet, special permission has been received to report the following results which are quoted from a letter sent to the Legislative Analyst on December 3, 1964 from the staff of the California State College Trustees:

OUTSIDE EARNINGS OF TEACHING FACULTY ON ACADEMIC YEAR CONTRACTS (9–10 MONTHS)

The U. S. Office of Education has just completed a nationwide survey of outside earnings by a sampling of all college faculty nationwide for 1961–62. The results are as follows:

	Percent	Average earnings
All with outside earnings	74	$2,200
Summer teaching	44	1,300
Other summer employment	11	1,500
Other teaching	13	900
Royalties	5	1,200
Speeches	9	200
Consultant fees	15	1,400
Retirement (individuals who have retired who teach elsewhere after retiring)	1	3,400
Research	7	1,800
Other professional earnings	10	1,300
Non-professional earnings	8	1,700

The highest average earnings by teaching field and the percentage with outside earnings are:

	Percent	Average earnings
Law (which we do not have)	78	$5,800
Engineering	83	3,200
Business and Commerce	78	2,900
Physical Sciences	80	2,000
Agriculture	71	1,800
Psychology	65	2,700

In light of the Joint Committee discussion you might be interested in the following:

	Percent	Average earnings
Social Sciences	74	$1,900
Fine Arts	74	1,600
Philosophy	74	1,500
Religion and Theology	73	1,200

2. Recommendations

a. We recommend that the Coordinating Council for Higher Education, the University of California and the California State Colleges cooperate in determining the extent to which faculty members participate in extra activities to supplement their nine-month salaries including information as to when extra activities are usually performed (such as vacations, etc.). Such activities would include, but not be limited to, lecturing, general writing, summer and extension teaching, government consulting, textbook writing, private consulting, public service and foundation consulting, and other professional activities. If such a study suggests that the magnitude of these activities is such that the performance of normal University and state college responsibilities are perhaps being adversely affected, then consideration should be given to the possibility of maintaining more complete and meaningful records. Such records would aid administrative officials and academic senates when reviewing recommendations for promotions and salary increases and provide summary data for reporting to the Legislature on these significant faculty welfare items. Next year's faculty salary report of the Coordinating Council for Higher Education should incorporate the results of this study.

b. We also recommend that existing state college policies and enforcement practices regarding extra employment be reviewed and updated.

c. Finally, it is recommended that faculty salary reports keep the Legislature informed about policies and practices relating to extra employment.

3. Comments

In our opinion, it would seem that any extra employment would affect the quality of performance of University responsibilities since faculty surveys indicate that the average faculty workweek is 54 hours. The time spent on activities for extra compensation (except during the summer) would be on top of what the faculty has defined as their average workweek. Because, in some instances, it is difficult to determine whether a given income-producing activity, such as writing a book, is considered a normal University responsibility or an extra activity, distinctions between normal and extra activities need to be more clearly defined.

Much of the outside compensation received by faculty comes in the form of grants made directly to the faculty member rather than through the University or colleges. There is no regular reporting of these grants or the personal compensation which they provide to faculty, and the colleges and University do not consider the reporting of such income to be feasible. It may be desirable to encourage the Congress to direct that greater number of grants made by United States agencies for research be made directly to academic institutions.

Senate Concurrent Resolution 51, 1965 General Session, Relative to Academic Salaries and Welfare Benefits

WHEREAS, The Joint Legislative Budget Committee pursuant to House Resolution No. 250, 1964 First Extraordinary Session, has had prepared and has adopted a report of the Legislative Analyst containing findings and recommendations as to salaries and the general economic welfare, including fringe benefits, of faculty members of the California institutions of higher education; and

WHEREAS, The study of the Joint Legislative Budget Committee found that the reporting of salaries and fringe benefits as it has been made previously to the Legislature has been fragmentary and has lacked necessary consistency, with the result that the Legislature's consideration of the salary requests of the institutions of higher learning has been made unnecessarily difficult; and

WHEREAS, The report recommends that the Legislature and the Governor should receive each December 1 a report from the Coordinating Council for Higher Education, plus such supplementary information as the University of California and the California State Colleges desire to furnish independently, containing comprehensive and consistently reported information as outlined specifically in the report adopted by the Joint Legislative Budget Committee; and

WHEREAS, The reporting recommended by the committee would include essential data on the size and composition of the faculty, the establishment of comprehensive bases for comparing and evaluating faculty salaries, the nature and cost of existing and desired fringe benefits, the nature and extent of total compensation to the faculty, special privileges and benefits, and a description and measurement of supplementary income, all of which affect the welfare of the faculties and involve cost implications to the state now, therefore, be it

Resolved by the Senate of the State of California, the Assembly thereof concurring, That the Coordinating Council for Higher Education in cooperation with the University of California and the California State Colleges shall submit annually to the Governor and the Legislature not later than December 1 a faculty salary and welfare benefits report containing the basic information recommended in the report of the Joint Legislative Budget Committee as filed with the President of the Senate and the Speaker of the Assembly, under date of March 22, 1965.

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